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Aristotle Onassis and the Greek Shipping Industry

If Ari had been an artist instead of a businessman, he would paint nothing but immense murals.

—Athina Onassis, Ari's first wife[1]

I met a man yesterday called Onassis. He is a man of mark.

—Sir Winston Churchill, 1957[2]

It was almost dawn on a hot summer night in 1973, and 67-year-old Aristotle Onassis had spent the night pacing the deck of his 322-foot yacht, the *Christina*. He had come a long way from his time as a refugee in the Pireaus region of Athens, Greece, after he, his family, and 1 million other ethnic Greeks had fled from Smyrna following a disastrous Greek invasion of Turkey in 1922 (see **Exhibit 1** for a map of Greece).

Onassis was now one of the richest men in the world. His name was synonymous with Greek shipping, which over the previous 25 years had grown dramatically to become the world's largest owner of shipping tonnage (see **Exhibit 2** for the size of the Greek-owned fleet). He counted movie stars and members of royalty among his friends, although he always seemed to enjoy himself most drinking ouzo, the strong Greek liquor, with common folk. Ari, as his friends called him, had a legendary charm and confidence. His spectacular business career had been matched by a personal life that included relationships with some of the world's most famous models, actresses, and personalities, including the opera diva Maria Callas and his current wife, Jacqueline Kennedy Onassis, widow of U.S. President John F. Kennedy (see **Exhibit 3** for a timeline of Onassis's life). He had never finished high school yet spoke at least six languages and loved to discuss philosophy. Egypt's King Farouk, no stranger to elegance himself, once called the *Christina* "the last word in opulence."[3] Onassis had turned Monte Carlo into his playground to the extent that it was nicknamed "Monte Greco."

But all that seemed to be very far in the past. Since his 24-year-old son's death earlier in the year, Onassis had changed. Along with losing the only male heir to his empire, Onassis had lost a piece of himself, a cruel reminder of his own mortality. Grieving and detached, Onassis had created an empire that now faced an uncertain future. Onassis, like most Greek shipowners, made every major decision

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for his company. The organization was a complex web of corporations. The company was an extension of Onassis's own rough and instinctive nature. His *modus operandi* had served him well in creating the empire but now seemed to have created a beast that was impossible to pass on.

Global Shipping

Although maritime trade has its roots in the ancient world, it was not until the Industrial Revolution in Great Britain in the late eighteenth century that there was a huge increase in the transport of bulk cargoes by sea. During the nineteenth century the industrialized countries exported manufactured goods and imported growing volumes of raw materials and foodstuffs to feed the urban populations. During the first half of the nineteenth century improvements in sailing-ship technology produced a sharp decrease in ocean freight rates. Beginning in midcentury the use of steamships further increased the speed, and decreased the cost, of ocean shipping.

During the 1870s the world shipping market gradually separated into two categories, liner shipping and tramp shipping. Liner ships carried passengers and general cargo, such as manufactured goods, on a fixed schedule. They were known as the "buses" of the sea. Tramp ships carried bulk cargo, such as coal, ore, and grain, when needed. They were the "taxis" of the sea. Initially the division was not rigid. British shipping companies, which collectively owned 40% of world tonnage in the late nineteenth century, operated in both sectors.

Over time, the liner- and tramp-shipping sectors diverged. Large firms became more prevalent in liner shipping. The Scottish-based Mackinnon Group grew into a formidable intercontinental shipping and trading business that, with its merger with the British India Steam Navigation Company and the P&O Steam Navigation Company shortly before World War I, created the largest shipping company in the world.[4] From the 1880s onwards, liner shipping was characterized by the formation of cartels, known as shipping conferences. In contrast, the market for tramp shipping was characterized by many small firms that operated on the fringe of demand, where flexibility was necessary. Tramps needed to be on call and could be hired for single voyages (spot market) or for a period of time (time charter).

Shipping was a volatile industry. It was characterized by cycles that varied greatly in length.[5] In periods where world trade increased, growing demand for shipping would lead to a surge of orders for new ships. However a new ship might take two or more years to build, and thus supply could not immediately react to increases in demand. This would push freight rates higher and more ships would be ordered. As these ships were delivered, supply increased and rates would drop until fundamental supply/demand economics stabilized.

Shipping companies made (or lost) money in two ways: through operation and asset play. "Operation" was simply the actual operation of a ship, where profits came from the difference between costs and rates charged. "Asset play" was the strategic purchase and selling of ships and required an understanding of market movements so that one bought low and sold high. These two strategies were very different and required different skills and company structures: the former required discipline and efficiency, while the latter required flexibility and an understanding of market fluctuations.

The structure of the tramp-shipping industry was complex, with many interrelated parties (see **Exhibit 4** for the main players in the shipping industry). A supplier of iron ore might receive higher-than-expected orders and need to find transportation from Rio de Janeiro to Hong Kong. The supplier would contact a cargo broker who would find a certain ship that would be unloading in Rio the following week. A verbal agreement would be made over the phone, and then a contract would be signed that specified the details for the voyage: daily rate, time range for delivery, late penalties, payment method, and myriad other details. The price charged might be very high if delivery was critical and the supplier had few alternatives. If there were several other ships that could carry the cargo under similar conditions, then power shifted to the supplier and the price would drop. Shipowners faced frequent critical business decisions (see **Exhibit 5** for a shipowner's decision map).

There were risks along each link in the channel. Volatility in freight rates produced risk in chartering. When a rate was locked in for five years, if the market heated up and rates increased during the charter, the company would not be able to reap the benefits. It would be stuck with low rates while its spot-market competitors grew rich. Conversely, if one did not lock in a charter and kept the ship on the spot-market, rates could fall and the company would be forced to take these lower rates. Shipbuilding had its own risks, as markets could shift while a ship was being built. A ship ordered for $20 million might only be worth $10 million when completed, if the market for that particular type of ship happened to cool down. Shipyards were also prone to labor issues and government intervention, factors that introduced more risk. Operation risk consisted of issues concerning crews or accidents at sea. Default risk was high, as multiple parties all had to uphold their contracts. The international nature of the industry introduced currency risk as well as political risk. Ships were historically exposed to seizure or nationalization, especially during times of political unrest or war.

In response to the risks of tramp shipping, an unusual corporate structure emerged in late nineteenth-century Britain that became the industry norm. Each ship was a distinct joint-stock company. A shipping firm would function as the managing agent of such single-ship joint-stock companies.

The complex structure of the industry, its international nature, and the many risks encouraged flexibility in contractual relationships. Most agreements in shipping were verbal.

Creating the Greek Shipping Empire

It was during the late nineteenth century that British preeminence in world shipping began to be challenged. By 1914 U.S. and German companies each represented 11% of world tonnage, and Norwegian, French, and Japanese firms accounted for 4% each of the world market.

The roots of Greek shipping could be traced to ancient times. The seafaring nature of ancient Greeks created an interconnected web among the many Greek islands, as well as with more distant settlements such as Sicily and Asia Minor. During the Roman and Byzantine Empires, Greeks ploughed the Mediterranean Sea routes, and during the Venetian and Ottoman Empires, the Greeks continued to be the main carriers in the Mediterranean. By 1914, however, Greece represented only 2% of world tonnage. Modern Greece had emerged as a state only in the 1820s, after four centuries of occupation by the Ottoman Turks. There was a large Greek diaspora in the Mediterranean and Black Sea (southern Russia), and before Greece's war of independence from the Ottoman Empire Greek merchants played a pivotal role in the external trade of the Ottoman Empire. Nineteenth-century mainland Greece was primarily agricultural and among the poorest and least-developed regions of Europe.

Greek-owned ships carried bulk cargo, particularly grain from the Black Sea and coal from northwest Europe, along the routes of the Mediterranean. A network of Greek merchants located in all the major ports in the region, including Odessa, Alexandria, and Marseilles, provided a commercial network for the shipping industry. Between the 1830s and 1860s families from the island of Chios were preeminent in the industry. Family was at the heart of the Chiots' business structure. They intermarried extensively, even between first cousins, in order to keep business in the family.[6] The diaspora Chiot merchants hired Greek shipowners from the Greek isles to carry their cargoes. Most of the Greek shipowners in the nineteenth century were from the Aegean and Ionian Islands. There were around 1,500 islands in both seas, of which some 140 were inhabited, and most shipowners came from 40 of these islands in particular. In 1870 they owned 2,500 oceangoing cargo sailing ships.

From 1870 to the 1900s many shipowners came from the islands of the Ionian Sea, especially the islands of Cephalonia and Ithaca. Such geographical clustering was frequently seen in the leading maritime nations. In Great Britain, shipowners were heavily clustered in the ports of northeast England, including Hull, and the Clyde region of Scotland. In Norway, the town of Bergen was the location of the traditional shipowning families.[7]

Greek shipping was a family business. In 1900, 200 Greek families owned 250 shipping firms. This structure of family ownership continued into the twenty-first century. Corporate governance was (and remained) opaque, and "outsiders" (i.e., nonfamily members) were rarely allowed access to critical information. Power was typically consolidated, and one person usually made or approved all decisions. Businesses were passed from generation to generation; the male children were groomed from a young age and often served apprenticeships on ships and in company offices.

Between the 1920s and the 1970s the list of the largest shipowning families was dominated by a number of families from the Aegean and Ionian Islands: the Kulukundis, Goulandris, Livanos, Lemos, Chandris, Nomikos, Embiricos, and Lykiardsopoulos families. Several of these families had entered the shipping industry in the eighteenth century, and their seventh- or eighth-generation successors remained among the largest Greek shipping concerns.[8]

Greek companies opened offices around the world. During the interwar decades London became the center of their networks, but offices existed in almost every major port country, from the Black Sea to Egypt to Hamburg, Germany. Family members were sent to manage different offices, and many were born and grew up in countries outside Greece. However, the network was kept intact through the strength of the Greek diaspora communities.

The Greek merchant fleet suffered heavy losses during World War II, when the country was occupied by Nazi Germany. Greece lost more than 70% of its ships, and those that remained had a combined total capacity of only a half million tons. The surviving fleet was old, with an average age of approximately 27 years.[9] Yet just a quarter of a century later, the Greek-owned fleet had expanded to over 30 million tons and was the largest in the world. This was the era of Aristotle Onassis.

Aristotle Onassis: Shipping Magnate

Early Life

Aristotle Onassis was born in the Greek community of Smyrna (present day Izmir, now located in Turkey) on January 20, 1906. He grew up in Smyrna, a prosperous trading city of over 165,000 Anatolian Greeks. His father, Socrates Onassis, was a wealthy tobacco merchant of prominent standing in the Greek community. Smyrna was the leading export port of the Ottoman Empire, which hosted many foreign communities. Greek and Turkish were spoken alongside French, English, and Italian. As a child, Aristotle was remembered by his teachers as a shrewd and restless child who "would either destroy himself or succeed brilliantly."[10] Aristotle attended the Evangelical High School of Smyrna, the best Greek-language school city, and learned at least five languages there.

In 1922 Aristotle's life changed forever. After a Greek-Turkish war and the loss of the Greek Army following its invasion of Asia Minor, Smyrna was burned to the ground. Many members of the Onassis family were killed, but among the 1 million refugees who escaped to mainland Greece were Aristotle, the women of the Onassis family, and later Socrates, Aristotle's father. Everything had been lost, and the family now lived in the impoverished Piraeus area of Athens. They slowly rebuilt their lives and attempted to assimilate to mainland Greece in the unwelcoming capital. Socrates resumed trading tobacco, and Aristotle was expected to assist his father in this new venture. However, Onassis had bigger ideas.

Aristotle Onassis landed in Buenos Aires on September 21, 1923 at the age of 17 with a few hundred dollars. He arrived with an identity document issued by the League of Nations for stateless people, and soon acquired Argentinean nationality, which he retained for the rest of his life. At some stage he also acquired Greek nationality. Greeks had been immigrating to the prosperous city since the late nineteenth century, many establishing trading businesses, and by the early 1920s there was an estimated community of 6,000 people.[11]

During his first months Onassis worked a string of odd jobs ranging from fruit peddling to dishwashing. Through Greek friends, he landed a stable job with the British United River Plate Telephone Company, where he requested the night shift so as to pursue other activities during the day, including learning Spanish. In the fall of 1924 he opened an import-export office after the arrival of two of his cousins in Buenos Aires. The following year he began travelling back and forth to Europe, leaving his cousins to run the small business.[12]

Onassis soon identified an opportunity in the tobacco business. Tobacco leaf in Argentina came almost entirely from Cuba, and Onassis perceived that a market could exist for Near East tobacco which was lighter than the strong Havana product. Onassis had his father send him samples, and he set out to convince local cigarette manufacturers to buy his tobacco. Nobody was interested. After a very unorthodox courtship of a cigarette executive (Onassis effectively camped outside the executive's work and home), he was able to secure a deal for a single shipment. Eventually more shipments were made, and Onassis slowly became a serious trader in Near Eastern tobacco, while still keeping his night job.

After saving some capital and securing a loan, Onassis opened a small shop where he and several employees hand-cranked rolling machines and packaged cigarettes. He decided to target the rising number of female smokers, although building a market was not easy as social conventions meant that women mostly smoked in private rather than in public places. He invested in building the fashionable aspect of cigarette smoking. His first brands were called Primeros ("the best") and Osman (referring to Osman Bey, the Sultan who founded the Ottoman Empire). The cigarettes had gold filters and were packed stylish colored tins and rose-leaf tips. The tactics worked, his brands sold successfully, and his reputation in the Greek community grew.[13] In 1932 he was appointed as Greece's deputy Consul in Buenos Aires, a position where he was reportedly able to make money on currency trading.

Onassis also established a reputation as an enthusiastic participant in the vibrant social life of Buenos Aires. This included attending operas in the Teatro Colón, where in 1928 he saw the Italian-born soprano Claudia Muzio performing. Muzio had been performing in the city for nearly a decade, and was established as the most famous opera singer. It was love at first sight for Onassis, who after several rejections, persuaded her to become his lover. It was Onassis's first serious relationship, and one which also provided access to a new range of social circles.

The global economic crisis beginning with the Wall Street Crash in 1929 soon impacted Argentina. Rising tariffs and currency controls disrupted supplies of tobacco from the Near East. This reflected wider trends: world trade fell by 25 per cent between 1929 and 1932. The collapse of world trade also had severe consequences for another industry in which Onassis had begun to become interested: shipping. Shipping freight rates had started to fall after 1926 and had plunged after 1929, reaching new lows in 1932, resulting in a crisis in the shipping industry.[14] Onassis saw an opportunity to use the money he had amassed in cigarettes.

Entering the Network

Onassis had seen many Greek ships during his decade in Buenos Aires, which was one of the largest ports in South America. During the 1920s Greek shipping companies had shifted their traditional focus from carrying grain from the Black Sea to the Mediterranean to the Atlantic trade. This increasingly involved carrying wheat from Argentina to Europe. There were, as a result, a growing number of Greek ships visiting Buenos Aires.

Onassis was aware that capital and reputation as a cigarette entrepreneur were unlikely to facilitate a successful entry into shipping. To the Greek shipping industry, he was an outsider. He lacked the two traits that made one an insider: family and origin. His family was never in the shipping business, and he was from Asia Minor instead of one of the prominent Greek shipping islands. He had no prior relation to shipping, as he had never worked as a crewman or served any apprenticeship on a ship. However, in classic Onassis style, he was undeterred.

In the late 1920s Onassis met Costas Gratsos in Buenos Aires, while Gratsos was serving an apprenticeship on one of his family's ships. They became close, and lifelong, friends. Gratsos came from a shipping family in Ithaca and was related to the respected Dracoulis shipping family. This connection gave Onassis initial access to the shipping network and later provided for his ships a flow of experienced Ithacan seamen. Pericles Dracoulis was Gratsos's uncle and ran the family's London operations. This connection enabled Onassis to spend a few months in London in 1931. He worked inside the Dracoulis office, and began meeting other members of London Greek shipping families. He made contact with the Kulukundis family, but was cordially ignored as being an unimportant newcomer. It was only in December 1932 that he was able to meet with Manuel Kulukundis, a leading figure of the network.

In 1933, with the help of Dracoulis's network and engineers, Onassis inspected and purchased his first ships. He paid the Canadian National Steamship Company $120,000 (less than scrap value) for six 8,500 to 10,000 tonners. For the next couple of years, Onassis continued to meet with the London Greeks and absorbed as much knowledge as possible. He became good friends with Panaghis Vergottis, a talented shipowner from an important family from Cephalonia. Although he was still considered an outsider, Onassis seemed to be on his way.

From Outsider to Shipping Tycoon

During the early 1930s Onassis met a number of leading Norwegian shipowners. The Norwegians were pioneers in tanker owning in the 1930s as well as leaders in whaling. Their ships offered significantly better working conditions for crews than those found on Greek vessels. Shortly after purchasing his first ships, Onassis also met Ingeborg Dedichen. She was a beautiful Norwegian socialite and daughter of another Norwegian shipowner, Ingeval Martin Byde, who was going through her second divorce. Onassis pursued Dedichen, who was much taller than him, passionately, and their relationship was to last for almost a decade. Their early life together was spent driving around Europe from one five-star hotel to the next. Dedichen was refined and experienced in the ways of high society. Onassis was new to the game but learned from her like a "sponge."[15] The relationship was not always easy, as Onassis sometimes drank heavily, and was also physically abusive at times. "With him I enjoyed the most beautiful and hellish years of my life," Dedichen later observed. "I was five years older than Onassis, and I realized that he was more angel and devil than most men."[16]

In 1934 Onassis placed an $800,000 order with a Swedish shipyard for a 15,000-ton tanker. Although Onassis was not the first Greek shipowner to buy a tanker, he was the first Greek to order a new ship.[17] The *Ariston* was launched in June of 1938 and sailed under the Swedish flag. Orders for two more were placed, and then on September 3, 1939, England and France declared war on Germany. Onassis was based in London at this point and soon left for the safety of America. His Swedish ships, however, were not so lucky. Sweden wanted to maintain neutrality, and thus two of his tankers were to be kept in the Swedish port until hostilities ended. His third tanker, *Aristophanes*, which had a Norwegian flag, was requisitioned by the government of Norway.[18]

Onassis arrived in New York and passed through Ellis Island, finding himself a refugee of war for the second time in his life. This time, however, he was considerably wealthier. Dedichen arrived shortly after, and they lived in an apartment in the Ritz Towers on Park Avenue and 57th Street. Other Greeks had also moved to New York during the war, including the Livanos and Embiricos families. Onassis continued to operate his fleet of cargo vessels and found New York to be a good city for this. Onassis and Dedichen rented a cottage on Long Island, where many wealthy circles interacted. Onassis enjoyed the social scene in New York and was a favored client at the super-chic club El Morocco (Elmo's for short). Onassis never clearly distinguished between business and pleasure and enjoyed carrying out his business dealings at Elmo's any time of day or night.[19]

When World War II was over, Onassis was able to reclaim his tankers, and he put them to work immediately. Whereas most shipowners had suffered tremendous losses during the war, Onassis was largely unaffected. His business interests flourished, and he continued to exhibit a resourceful nature.

Flags of Convenience

One area in which Onassis displayed this resourcefulness was in choosing the flags for his ships. All ships had to be registered with a country and fly that country's flag. Thus a ship legally became an extension of that national territory while at sea. The norm prior to the 1930s had been for a ship to be registered with the home country of the shipowner. However, during the 1920s some U.S. ships took on the flag of Panama (U.S. influence in Panama was strong, so country risk was minimal) to circumvent U.S. laws on Prohibition.

The drivers in the fast growth of foreign flags after 1930 were different, however, and rooted mostly in the desire to minimize taxation and avoid operating regulations. Countries maintained different terms of employment for ships' crews, along with different regulations regarding the condition, safety, and age of their fleets. These large discrepancies, combined with the ease of registration, created an arbitrage opportunity that many shipowners exploited. The first countries to exhibit such attractive open registries were Panama, Honduras, and later Liberia (which gave rise to the term "Panlibhon" flags). Manuel Kulukurdris was one of the first to adopt flags of convenience. Onassis followed and enhanced the practice.

Onassis adopted the practice of "flagging out" on a large scale. By 1949, 50% of the Greek-owned fleet was flying non-Greek flags.[20] This figure kept rising, peaking at 85% in 1957, until the Greek government began providing an attractive tax and regulatory environment for shipping companies that resulted in the repatriation of many ship companies to Pireaus, Greece (see **Exhibit 6** for the structure of the Liberian and Panamanian fleets). During the Cold War, the U.S. government encouraged "flagging out" especially to Liberia, as it sought to create a fleet of merchant vessels under "neutral" flags in case of a major conflict with the Soviet Union.

Meanwhile the passionate but tumultuous relationship between Onassis and Dedichen had cooled. She received a phone call from him while she was visiting Paris that he was going to marry a young

Greek woman. In 1946, at the age of 40, Onassis married Athina Livanos, who was 17 years old at the time. Athina was the daughter of Stavros Livanos, the largest and most respected traditional Greek shipping magnate at the time. Onassis and Athina had their first child, a son, on April 30, 1948 in New York. The baby was named Alexander, after an uncle killed in Smyrna and also after Alexander the Great of ancient Greece. Their daughter Christina was born two years later, again in New York. The family split their time between a house in New York City, an apartment in Paris, a house in Montevideo, and the Chateau de la Croe at Cap d'Antibes in France. Onassis also purchased a seaside villa in Athens and kept a permanent suite in the Plaza Hotel in Buenos Aires.

Entering the Whaling Industry

In 1950, Onassis entered the whaling industry by purchasing 18 ships and converting them into a whaling fleet. The industry was dominated by the Norwegians and regulated by an extremely tough cartel led by the International Whaling Commission (IWC). Despite these regulations, the destruction of most whaling fleets during World War II combined with rising prices of whale oil made the industry attractive to Onassis. The Olympic Whaling Company was incorporated in Panama and headed to the Antarctic whaling grounds in October of 1950. When it returned in May of 1951, the price of whale oil had reached $490 per ton, and Onassis made a net profit of approximately $4.2 million. Much of this success was due to the fact that Panama was not a member of the IWC, and thus the Onassis fleet did not have to observe the IWC's regulations on quotas and the length of the hunting season.

In September of 1954, five ships were seized by the Peruvian Navy for breaking the Santiago Decree, which created a protected zone of up to 200 nautical miles from the coast. Most whaling nations opposed its legality. Onassis's ships were kept for two months during the negotiations, and fines were eventually imposed, but he and his ships escaped unscathed. The insurance policy Onassis had negotiated for that season with Lloyds of London included several unusual seizure clauses that more than covered the losses.

"Other People's Money"

In 1953, Onassis built the *Tina Onassis*, the largest ship at the time and the first "supertanker." It was 46,000 DWT,[a] cost $6 million, and was financed with debt, a practice uncommon for Greek shipowners. The traditional Greeks had an aversion to debt and a distrust of banks. As early as 1947, Onassis pioneered charter-backed finance, the financing method that would define the 1950s and 1960s and would play a critical role in the growth of the tanker market during the same period.

Charter-backed finance was the use of cash flow from a long-term charter as collateral for a loan to buy a ship. The charter was guaranteed by the shipper, usually a major oil company, and thus the underlying default risk of the loan lay not with the shipping company but with the creditworthy oil company. This lowered the cost of borrowing for the shipowner and opened the doors to banks and other financial institutions, which gave shipowners access to huge amounts of capital without forcing them to sacrifice control or requiring extensive transparency, thus maintaining the integrity of the Greek network.

Although Onassis was the first Greek to use charter-backed financing, he did not invent this concept. Some early form of this type of financing was used in 1927 by Shell when it offered tankers to the Norwegians under financing related to 10-year charters. The more recent form of charter-backed financing had been used by the American Daniel Ludwig in the 1930s. However, Onassis had once

[a] DWT = deadweight tons.

again found something that worked and made a science of it. He made improvements to the deal structure, such as consolidating shipbuilding contracts to one shipyard to gain scale and savings. Critically, immediately after the end of World War 2, he persuaded Citibank and leading U.S. insurance companies, especially Metropolitan Life Insurance, to provide the financing. Time charters were usually fifteen to twenty years, while American bank regulations at the time restricted provision of ship loans to five years. Onassis developed a method to extend the loans by involving the insurance companies to secure the repayment of the loan to the bank for the remaining period. As a result, he was able to provide finance which reached 95 per cent of the price of building a tanker.[21]

Charter-backed finance was driven by the oil companies. Due to faster-than-expected recovery in Europe and Japan after World War II, the demand for world oil increased faster than the capacity of the oil companies' internal fleets. The major oil companies needed to invest capital in drilling and refineries and were willing to outsource more of the shipping. However, to avoid complete dependence on outside contractors for transportation, oil companies maintained their own tanker fleets equivalent to approximately one-third the total world tanker fleet. The majority of the remaining supply was time chartered to independent shipowners. A small percentage was chartered on the spot market by voyage from independents. The economics of the business favored very large, specialized, and expensive tankers.

Charter-backed finance, humorously known as "other people's money," spurred tremendous growth in the Greek tanker fleet. In 1951 Onassis himself launched an ambitious shipbuilding program, primarily based in the war-devastated shipyards of Kiel, Hamburg and Bremen in Germany, through which he gained access through his Norwegian contacts. A total of twenty-one new supertankers were built, all financed by American banks on the basis of contracts with Shell.[22]

From Monte Carlo to Monte Greco

In 1953, Onassis moved his international headquarters to Monte Carlo. By this time, *Fortune* estimated the value of his corporations at $100 million,[23] but Onassis was not yet on the public radar. It was his move to Monte Carlo that seemed to raise him to celebrity status. Monte Carlo, one of the five regions of the 485-acre principality of Monaco, had become the playground of the rich and famous. The Grimaldi family had ruled the principality since 1297 when Francois Grimaldi and a small force disguised as monks seized the fortress. In 1861, after relinquishing most of its territory to France in exchange for independence, Prince Charles III decided that the economic strategy for the nation should be tourism and gambling. To that end, the Société des Bains de Mer (literally the Sea Bathing Society) was established in 1863 and included a casino, a theater, and hotels. The strategy was successful, and Monaco became an elite destination for the wealthy. By the time Prince Rainier III came to power in 1949, however, prosperity had slowed, hotels had been neglected, and the casino was lackluster.

It was around this time that Onassis decided he needed a base from which to rule his operations, which now encircled the globe. He liked Monte Carlo for its lifestyle, weather, and geography (it was located between his Western offices and his growing interests in the Middle East), as well as its lack of income tax. Onassis hatched a plan to purchase a controlling stake in the Société des Bains de Mer during a lunch at the Café de l'Opera in Paris and worked out the details on a napkin. The plan was not opposed by Prince Rainier III, as it would infuse new money and life into the country at a time when its mystique was fading.[24] By 1953, Onassis was in control of many of Monaco's assets, including the Hôtel de Paris and the legendary Casino at Monte Carlo. The Old Sporting Club in Monte Carlo became the headquarters for Olympic Maritime, Onassis's holding company.[25] Monte Carlo flourished as a vibrant destination for the affluent and celebration. In 1956 Prince Rainer's marriage to the famous Hollywood actress Grace Kelley was an elaborate social occasion. The 700 wedding guests included

Aristotle Onassis, alongside many famous Hollywood celebrities and leading business figures such as Conrad Hilton.

A common sight in the prime berth of the Monte Carlo harbor was the *Christina*, Onassis's emblem of success. The yacht, launched in 1953, was considered the most luxurious vessel ever made. It had cost Onassis $50,000 to buy and $4 million more to renovate. On its walls hung multiple El Greco paintings and other original works of art. The pool floor, decorated with an exquisite mosaic, could be raised to serve as a dance floor.[26] The ship had a 42-line telephone and telex system and an equally sophisticated alarm system. Some of the booty from Onassis's whaling days could be found on the *Christina*. The main-deck bar stools were covered with soft white leather from the foreskin of a whale, while the footrests and handrail were made of pure whale-tooth ivory.

Cruises and parties on the *Christina* became legendary, with outrageous quantities of caviar and Dom Perignon served. Its passengers were royalty, movie stars, heads of state, business leaders, writers, and anybody who was anybody. An invitation to the *Christina* was a status symbol. Possibly Onassis's most cherished guest was Sir Winston Churchill, whom Onassis respected greatly and considered to be a dear friend.

Onassis and the United States

Although naturally diplomatic with keen negotiating skills, Onassis found himself in direct conflict with American interests and the U.S. government several times in his career. In 1954 a warrant for his arrest was issued on the charge of conspiracy to defraud the United States of America.[27] The charge was related to the purchase of ships from the government under the Ship Sales Act of 1946. During World War II, a large number of ships were built by the U.S. to support the war effort. When the war was over, these surplus ships were idle, and the government created a commission to oversee the selling of this "mothball" fleet. It was decided that some strategically important models would only be sold to Americans. This detail did not deter Onassis, who circumvented the vague citizenship requirements by creating U.S.-based companies where majority shareholders were "quiet Americans" selected by Onassis.[28] These companies would purchase the ships, thus fulfilling the requirement of the law, but then would enter a web of complicated business structures using subsidiaries, long-term charters, and other vehicles. At the end of the labyrinth was always Onassis. In this manner he purchased 19 ships in 1947. He was not alone; several Greek shipowners, including Niarchos, Kulukundis, and Livanos, had also used similar structures to buy surplus ships.

The issue over these surplus ships was brought to light in 1952 by the Senate Subcommittee on Investigations, whose members included Joseph McCarthy and Richard Nixon. The Department of Justice became involved, and in the fall of 1953, Onassis's ships were seized upon entrance to a U.S. port. The ships were allowed to operate regularly, but the U.S. government paid the crew and maintained profits in an account, pending a resolution.

A settlement was eventually reached in 1955 and included a $7 million fine but also provided a loophole allowing Onassis to keep his ships. Seventy-five percent ownership of Onassis's American-based companies was transferred to his two children, who had been born in the U.S. and thus were citizens. A trust operated by Grace National Bank of New York would represent them until they reached 21 years of age. The remaining 25% ownership was maintained by one of Onassis's Panamanian companies, Ariona.

Onassis found himself again at odds with the U.S. during a deal with King Saud of Saudi Arabia. Onassis and an associate had thought up a plan to provide Saudi Arabia with its own tanker fleet to transport its oil. At the time, transportation, along with all steps from prospecting to production, was controlled by the Arabian American Oil Company (ARAMCO), which had had concessions since 1933. ARAMCO was formed by four U.S. "majors": Standard of California, Standard of New Jersey, Texaco, and Socony-Vacuum Oil Company. The idea was to create a Saudi national fleet to play to the rising nationalist sentiment of the Saudis and their discomfort with the profiteering of Western oil companies, as well as their fear of the creeping influence of the West. To that end, Onassis would charter his ships to a Saudi company that would operate them as a Saudi national fleet, flying under the Saudi flag. Onassis would also establish a maritime training school to train Saudi officers and crewmen.

Under the agreement, the tonnage carried by the Saudi Arabian Maritime Company would begin near 10% of production and increase over time until ARAMCO would be virtually useless. As news of the deal leaked, many parties mobilized in opposition. ARAMCO lobbied against the deal, asking the Saudi king not to sign it; the organization told Onassis that even if the deal was made, ARAMCO would not recognize the agreement, and any Onassis ships that came to port would be turned away.

The U.S. State Department, along with the American ambassador to Saudi Arabia, Edward Wadsworth, was also involved in trying to block the deal. The U.S. government believed that the transfer of shipping rights from ARAMCO to Onassis would reduce U.S. influence in the country. A CIA report dated July 1, 1954, stated, "We believe it was a case of a smart Greek selling the SAG [Saudi Arabian government] a bill of goods and the prestige-hungry Arabs jumping on the deal. Onassis apparently has some mighty plans to monopolize the tanker industry by playing the same theme to Kuwait, Iran and Iraq."[29]

This was considered a direct threat to U.S. interests. In July 1954 the American Ambassador was told to warn King Saud that he faced a loss of royalties from reduced demand by U.S. oil companies showing "resentment and resistance" by Secretary of State John Foster Dulles.[30] In the same period Vice-President Richard Nixon hired Bob Maheu, a former FBI agent who had established his own private detective agency, to disrupt the deal through dirty tricks. At the end of their meeting, Nixon shook hands with Maheu and advised that "if it turns out we have to kill the bastard, don't do it on American soil."[31]

Fortunately for Onassis, Maheu was an accomplished operative, whose talents would be acknowledged six years later when he was hired by the CIA in a gambit to persuade the mafia to assassinate Fidel Castro in Cuba. Allegations of bribery soon surfaced which implicated many levels of the Saudi government, including the finance minister, who had supposedly been paid $100,000 by Onassis. The deal was officially scrapped in late 1954, and for the next several years, Onassis was on the brink of bankruptcy.

ARAMCO moved to punish Onassis. The organization implemented a harsh boycott of Onassis tankers and also used its influence to convince other oil companies not to renew charters with Onassis. Almost half the Onassis tanker fleet was sitting idle, incurring high maintenance costs while making no money. What made the cash situation worse was that most of the tankers were mortgaged, and debt payments needed to be maintained. Onassis sold his whaling fleet in 1956, but the cash injection was minimal, as the slowing tanker market kept his tankers empty.

Onassis was on the verge of losing his ships and needed a miracle, which came in the form of the Egyptian nationalization of the Suez Canal in 1956 and the subsequent outbreak of war between Egypt and France, Great Britain, and Israel. Tankers now needed to make the trip around the Cape of Good Hope in Africa, which more than doubled the length of a trip to the U.S. or Europe. Demand spiked, and spot rates for tankers went through the roof as it was assumed that when the canal reopened, the Egyptians would not be able to operate it. Most fleets were tied up with charters signed during the slow market of the past several years. Onassis's fleet, however, was ready to immediately take advantage of the astronomical spot rates available. ARAMCO now needed Onassis to maintain its shipments of oil and was forced to pay him a fortune.

Over the next six months Onassis's tankers made a reported $60 million to $70 million. Soon, there was a surge of contract breaking by other shipping companies that also wanted to take advantage of the spot market. Onassis also benefited by getting a jump on the market and chartering his ships while the Suez Canal was still closed and rates were still high. As an experienced insurance broker put it, "the oil companies had set out to screw Ari and in the process they made him one of the richest men in the business."[32] Two years later rates fell again as the canal was reopened and the Egyptians proved capable of operating it. By then Onassis had made a large fortune.

The 1950s proved to be a successful yet challenging decade, as the surplus-ship issue resurfaced again in 1958. After the 1955 settlement, the U.S. Maritime Administration agreed to allow Onassis to transfer 14 ships to the Liberian flag in exchange for an order to build three new tankers in American shipyards. However, by the summer of 1958 the tanker market had slowed, and it made more sense financially for Onassis to cancel the ship order and pay a cancellation fee to the shipyards of $8 million. At the same time, the operation of the transferred ships under the Liberian flag had provided approximately $20 million in profits. In June of 1958, Onassis was summoned to appear before a House subcommittee to explain the apparent undermining of the settlement. Congressman Zelenko from New York questioned him extensively.

Zelenko: Give us your exact interest in Ariona, how much stock you own, what company it is.

Onassis: I can't tell you exact, sir, but very close to exact. Ariona is a Panamanian corporation, and I think at the moment I own about 85% of the stock.

Zelenko: In your own name?

Onassis: No. Name of another corporation which will end up with me.

Zelenko: In what corporation's name do you have your interest in Ariona?

Onassis: You are asking quite technical things. There are 70-some corporations. I can't remember exactly. You say to me if it is in my own name. If it isn't I said no, but it might be in the name of another corporation whose stock is in my name. I don't remember those things.[33]

The hearing lasted four hours, during which Onassis impressed the committee with his cooperation and even managed to make them laugh. The conclusion of the affair was that Onassis was forced to continue building the three new tankers but with the assistance of a $14 million loan from the government. It struck Onassis as funny that the U.S. government would reject an $8 million payment and instead prefer to give out a $14 million loan.

Onassis and Very Large Crude Carriers

The mid-1950s until the mid-1960s was a slow time for the shipping market. Onassis's life, however, remained quite busy. In 1957 he bought the Greek national airline, named it Olympic Airways, and began the long process of modernization. In 1959 Onassis met the opera diva Maria Callas, with whom he would have a long and passionate relationship. Onassis and his wife Athina divorced in 1960, and Onassis purchased his private island, Skorpios, in 1963.

During this period, the one major development in the shipping world was the introduction of VLCCs, very large crude carriers, with capacity of around 200,000 tons and over. Improvements in steel technology allowed for this tremendous increase in size, and Japan took the lead in the production of such vessels. Shell and Gulf Oil were the first to build such supertankers. The scale economics were very attractive: in 1967, an 80,000-ton tanker had an operating cost of nearly $3.29 per ton to go from the Persian Gulf to Europe through the Suez Canal. A 200,000-ton VLCC, which could not fit through the Suez, made the long trip around Africa at a cost of only $2.40 per ton.[34] Automation also reduced labor intensity: where an older 18,000 tonner needed a crew of 42, a new 210,000 tonner needed only 32.[35] Onassis was among the first independent shipowners to order VLCCs, whereas many traditional Greeks like Kulukundis were skeptical.

Onassis's timing was fortunate, as his first orders for VLCCs were in 1966, when ship prices were relatively cheap due to the slow market. That all changed in June of 1967 when the Six Day War between Israel and Egypt closed the Suez Canal a second time. It would not reopen until 1975. Rates skyrocketed from $2.95 per ton to a high of $26 per ton before coming down to an average of $10 by 1968.[36]

Fortunes were again made, although the biggest winner this time was Hilmar Reksten, a Norwegian shipowner. Whereas most tramp owners diversified by keeping a portion of their fleet in time charters and the rest on the spot market, Reksten was notorious for gambling his whole fleet on the spot market. The long recession in shipping that had begun in the late 1950s had severely hurt Reksten, and legend had it that on June 6, 1967, he was actually on the way to his bankers to declare bankruptcy when the Six Day War broke out. "People called me broke but I was in the best position of any owner—I had 1.7 million tons on the starting line."[37] In 1975 Reksten's good fortune with risk taking finally ran out, and the Norwegian state had to take over his failed business.

Later Years: A Greek Tragedy

By the mid-1960s Onassis seemed to have reached the limits of stardom possible for a businessman. In 1968, however, his marriage to former First Lady Jacqueline Kennedy, 23 years his junior, made Onassis a household name. It was called the "wedding of the century," and it took place in the small Panayitsa chapel on Skorpios Island on October 20, 1968. Their picture appeared on the cover of *Time* magazine, and the world press could never satisfy its appetite for the legendary couple. Most of their time together was spent on board the *Christina* or on Skorpios, where Jackie had her own farm filled with Arabian stallions and Shetland ponies and also free rein to completely redecorate one of the villas. Jackie's favorite pastime was shopping, and some estimates had her spending over $1 million on clothes in just the first year of marriage.[38] Fortunately, Onassis's business was also doing well, with the tanker market remaining strong given the closing of the Suez Canal.

Onassis seemed to be on top of the world, but the year of 1973 proved tragic. His son, Alexander, was passionate about flying and had received his commercial pilot's license. On January 22, 1973, seconds after takeoff from the Athens airport, Alexander's Piaggio aircraft banked sharply to the right and crashed. Alexander suffered severe head injuries and was hospitalized with little to no chance of survival. Doctors were flown in from around the world. Onassis and Jackie came from New York. Alexander's girlfriend, Baroness Fiona von Thyssen, arrived from London. His mother, Athina, flew in from Switzerland, and his sister Christina from Brazil. Alexander Onassis was pronounced dead at 6:55 p.m. on January 23 at the age of 24. Aristotle never really recovered.

Aristotle's exact wealth in 1973 was almost impossible to ascertain but was estimated at anywhere from $500 million to $1 billion. He owned over 100 ships,[39] a bank in Switzerland, a national airline, a private island, interests in Monte Carlo, and the Olympic Tower skyscraper in New York and was rumored to have purchased 1 million ounces of gold.[40] His operations were a complex web of corporations with no central accounting system, where books for one corporation were purposely kept in the offices of another. His style was autocratic, and all important decisions were made by him. Following the Greek tradition, he was grooming his son as the natural heir to his empire. Alexander had been given responsibility for a division of Olympic Airways and had performed well.

Alexander's unexpected death created a gap that was impossible to fill, given the opaque and autocratic nature of Onassis's empire. Onassis now depended even more on his longtime advisors, with whom he had entrusted most of the day-to-day responsibility of running his companies. Costas Gratsos, Costas Conialidis, and Nikos Cokkinis were first and foremost his friends and were among the few in his inner circle. He considered the possibility of creating a foundation led by these trusted advisors to run the business empire. Onassis's relationship with his wife Jackie had become distant, and as an outsider there was no possibility of any role for her in the business. Onassis considered the role his daughter could play in an industry run by men. As a Greek, Onassis had never imagined Christina being involved with the business, but she was now his only child.

Onassis was devastated, and for the first time in his life, it seemed that he did not have the will to fight. He would spend his nights at the El Morocco drinking his favorite Scotch, Black Label, smoking his favorite cigar, Monte Cristo, talking with nostalgia about the old days. The only thing that seemed to alleviate his pain was reminiscing about his struggles in Argentina—the first ship, the first love, the first million.[41] Aristotle Socrates Onassis had come so far, yet it was the simplicity of the past that he cherished. The future was uncertain and, since the death of Alexander, seemed unimportant.

Exhibit 1 Map of Greece

Source: Information Technology Associates, www.geographic.org, used with permission (accessed April 25, 2005).

Exhibit 2 The Greek-Owned Fleet, 1949–1973

	Greek-Owned Fleet		Greek Owned
Year	**'000 GRT[a]**	**Growth (% p.a.)**	**% of World**
1949	2,377		2.9
1950	2,930	23.3	3.5
1951	3,642	24.3	4.2
1952	4,030	10.7	4.5
1953	4,738	17.6	5.1
1954	5,945	25.5	6.1
1955	6,906	16.2	6.9
1956	8,533	23.6	8.1
1957	10,543	23.6	9.6
1958	11,899	12.9	10.1
1959	12,456	4.7	10.0
1960	12,201	-2.0	9.4
1961	13,213	8.3	9.7
1962	13,300	.07	9.5
1963	15,025	13.0	10.3
1964	16,498	9.8	10.8
1965	18,575	12.6	11.6
1966	19,725	6.2	11.5
1967	21,827	10.6	12.0
1968	23,897	9.5	12.3
1969	26,932	12.7	12.7
1970	30,899	14.7	13.6
1971	34,102	10.4	13.8
1972	39,068	14.6	14.6
1973	42,625	9.1	14.7

Source: Adapted from Gelina Harlaftis, *A History of Greek-Owned Shipping* (London: Routledge, 1996), p. 381.

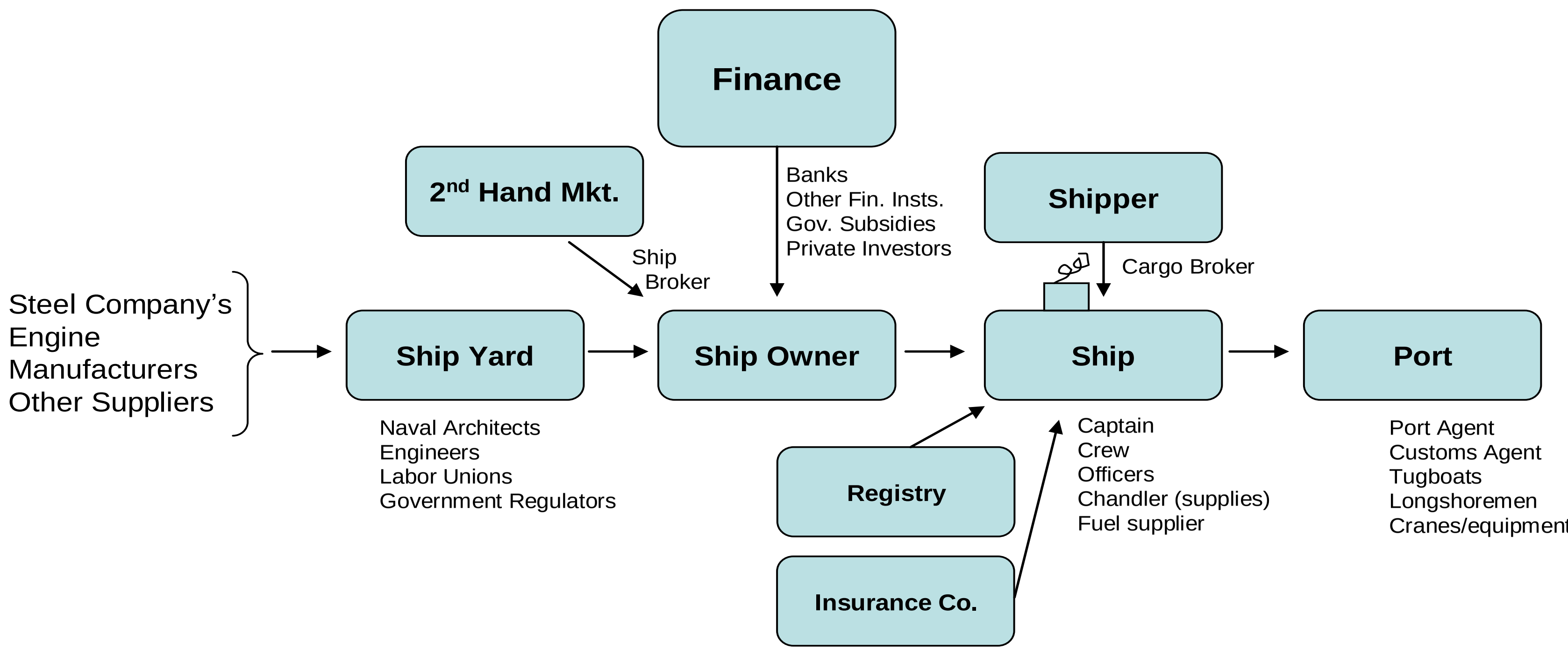
[a]GRT = gross registered tonnage.

Exhibit 3 Timeline

January 15	1906	Aristotle Socrates Onassis is born in Smyrna
	1912	Mother, Penelope Onassis, dies
	1922	Greek/Turkish War; Symrna destroyed
	1923	Emigrates to Argentina
	1932	Is appointed deputy Greek consul to Argentina
	1933	Purchases first ships
	1940	Moves to New York City
	1946	Marries Athina Livanos
April 30	1948	Son and heir Alexander is born in New York City
	1950	Enters the whaling industry
	1953	Builds the *Tina Onassis*, a 46,000-ton supertanker
	1954	Arrested in New York on a charge of conspiracy to defraud
	1956	Nasser closes the Suez Canal
	1957	Purchases the national Greek airline and renames it Olympic Airlines
	1959	Meets opera diva Maria Callas
	1963	Purchases a private island in the Ionian Sea
	1967	The Six Day War closes the Suez Canal
	1968	Marries Jacqueline Kennedy
January 23	1973	Alexander dies in a plane crash

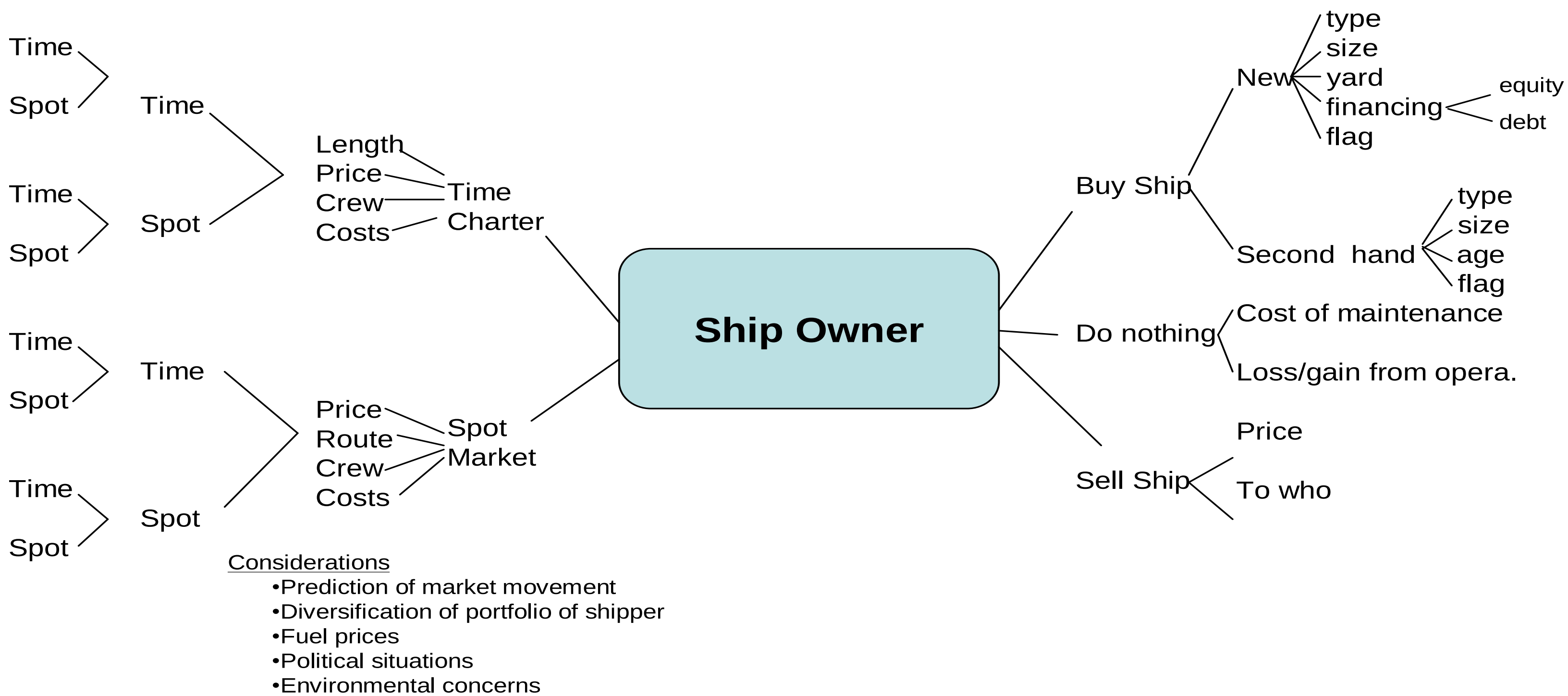
Source: Casewriter.

Exhibit 4 Main Players in the Shipping Industry



Source: Casewriter.

Exhibit 5 Decision Map of a Shipowner



Source: Casewriter.

Exhibit 6 Greek-Owned Share of the Liberian and Panamanian Fleets, 1949–1959 (% of GRT)

Year	Liberian	Panamanian
1949	100	34
1950	57	34
1951	67	46
1952	77	47
1953	92	47
1954	100	43
1955	81	44
1956	84	44
1957	86	46
1958	72	42
1959	53	37

Source: Adapted from Gelina Harlaftis, *Greek Shipowners & Greece 1945–1975* (London: Athlone Press, 1993).

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